

FDIC State Profile

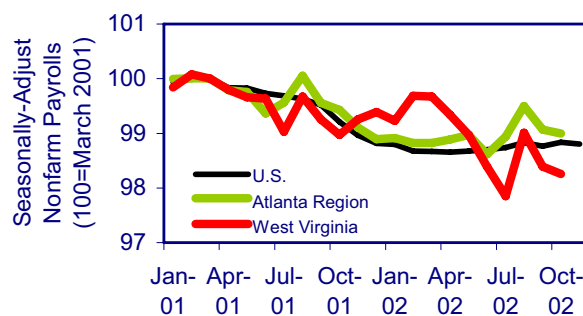
SPRING 2003

West Virginia

Economic growth in West Virginia remained weak through the end of 2002.

- Economic conditions in West Virginia deteriorated markedly during the first half of 2002. Until then, the recession had exerted a limited impact on the state. In October 2002, employment in the state was 0.7 percent below year-ago levels, compared with the national average decline of 0.4 percent.
- Between April 2002 and October 2002, West Virginia lost nearly 8,000 jobs, or 1.1 percent of total employment. During the same time, job losses at the national and regional level had moderated (see **Chart**).
- West Virginia job losses are not attributable to a single sector. With the exception of services and government, all areas of the state's economy experienced year-over-year declines in employment in October 2002.
- Losses in West Virginia's critical coal mining industry continue with employment in the sub-sector down nearly 10 percent in October 2002 from 18,200 one year earlier. West Virginia's coal industry has been in a structural decline for decades. Although employment growth has occurred in other areas of the economy, replacing the lost income from coal mining has been difficult. In 2001, the average annual wage from a coal mining job was more than \$53,000, compared to \$24,503 and \$14,802 in the services and retail trade sectors, respectively.
- The state's weakening economy has adversely affected state revenues. In late 2001, data had suggested that West Virginia's budget was healthy compared to several other states, but slowing payroll and income growth contributed to a decline in tax revenues. During the current fiscal year ending 2003, the state has announced approximately \$30 million in spending cuts. During the next fiscal year revenue declines are projected to be more severe, perhaps approaching \$250 million with a general revenue budget of \$2.9 billion. If such a shortfall develops, job cuts may be necessary.

Chart 1: Employment in West Virginia Continues to Decline



Source: Bureau of Labor Statistics/Haver Analytics

Community banks headquartered in West Virginia report healthy conditions.

- The comparatively moderate effects of the recession on the West Virginia economy during 2001 may have helped the state's 59 community banks continue to perform well, as measured by return on assets (ROA). During third quarter 2002, ROA grew 53 basis points to 1.01 percent. Higher net interest income was supplemented by gains from increased efficiencies and lower provision expenses, which contributed to the increase. Net interest margins were also higher during the period.
- After declining during third quarter 2001, loan growth during the 12-months ending September 30, 2002, returned to positive territory with a modest 3 percent growth rate. Most of the activity occurred in the commercial real estate loan segment. This segment now represents 15 percent of assets, up from 13 percent a year ago, but remains lower than banks elsewhere in the Region. CRE loan concentrations have increased in almost all of West Virginia's community banks.
- Credit quality among community banks headquartered in the state appears to have weakened somewhat during third quarter 2002. Total charge-offs rose slightly to 0.39 percent of total loans, up from 0.34 percent a year earlier. The construction and development loan portfolio was the hardest hit, with charge-offs close to 3 percent, an increase of 260 basis points from third quarter 2001. Commercial and industrial and 1-to-4 family loan obligations also experienced higher charge-offs as a greater number of personal and business bankruptcy filings year over year may have spurred the increase. Although total noncurrent loan levels have declined, continued economic deterioration in the second half of 2002 could adversely affect asset quality going forward.

West Virginia at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	59	64	70	69	76
Total Assets (in thousands)	7,373,139	7,206,104	9,371,073	10,767,511	11,598,823
New Institutions (# < 3 years)	3	5	5	3	5
New Institutions (# < 9 years)	10	10	9	5	6
Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	9.21	9.55	9.82	9.70	9.84
Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	2.46%	2.72%	2.56%	2.62%	3.02%
Past-Due and Nonaccrual > = 5%	12	14	13	15	20
ALLL/Total Loans (median %)	1.16%	1.14%	1.12%	1.23%	1.28%
ALLL/Noncurrent Loans (median multiple)	1.35	1.25	1.37	1.62	1.35
Net Loan Losses/Loans (aggregate)	0.37%	0.39%	0.29%	0.36%	0.36%
Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)	2	6	3	3	2
Percent Unprofitable	3.39%	9.38%	4.29%	4.35%	2.63%
Return on Assets (median %)	1.01	0.89	0.98	0.99	1.14
25th Percentile	0.79	0.58	0.65	0.69	0.89
Net Interest Margin (median %)	4.42%	4.28%	4.46%	4.43%	4.54%
Yield on Earning Assets (median)	6.93%	7.97%	8.17%	7.84%	8.28%
Cost of Funding Earning Assets (median)	2.52%	3.70%	3.76%	3.44%	3.75%
Provisions to Avg. Assets (median)	0.20%	0.18%	0.17%	0.15%	0.14%
Noninterest Income to Avg. Assets (median)	0.48%	0.47%	0.52%	0.43%	0.50%
Overhead to Avg. Assets (median)	2.96%	3.07%	3.03%	2.83%	2.80%
Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	73.92%	74.78%	77.24%	71.65%	74.46%
Loans to Assets (median %)	62.54%	63.03%	65.13%	62.14%	64.39%
Brokered Deposits (# of Institutions)	6	3	4	4	6
Bro. Deps./Assets (median for above inst.)	2.36%	0.60%	0.71%	1.30%	0.58%
Noncore Funding to Assets (median)	12.59%	12.33%	13.86%	11.18%	10.61%
Core Funding to Assets (median)	76.88%	76.11%	75.42%	77.40%	77.74%
Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	32	33	38	38	40
National	16	19	20	20	22
State Member	11	12	12	11	14
S&L	0	0	0	0	0
Savings Bank	0	0	0	0	0
Mutually Insured	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	45	5,131,217	76.27%	69.59%	
Wheeling WV-OH	3	579,342	5.08%	7.86%	
Huntington-Ashland WV-KY-OH	3	354,941	5.08%	4.81%	
Charleston WV	3	681,104	5.08%	9.24%	
Washington DC-MD-VA-WV PMSA	2	359,127	3.39%	4.87%	
Parkersburg-Marietta WV-OH	2	246,416	3.39%	3.34%	
Steubenville-Weirton OH-WV	1	20,992	1.69%	0.28%	